



ECONOMIC INDICATORS

CITY OF NORFOLK

OFFICE OF BUDGET AND STRATEGIC PLANNING

Mid-Year Update (March 2016)

ISSUE HIGHLIGHTS.....

- ❑ **Norfolk Unemployment:** Norfolk's unemployment rate (*not* seasonally adjusted) in December fell to 5.2 percent from 5.7 percent last year (December 2014). Norfolk's rate has fallen year-over-year in every month since August 2011. (See page 1)
- ❑ **State Employment:** In 2015, the average number of jobs in Virginia rose 1.8 percent, which was higher than the revised 0.6 percent growth in 2014. *Seasonally adjusted* Virginia nonfarm employment rose to 3,904,000 which was 115,300 jobs above its revised pre-recession peak. (See page 2)
- ❑ **Regional Employment:** In 2015, the average number of jobs in Hampton Roads' rose 0.9 percent, which was higher than the revised 0.3 percent growth in 2014. On a *seasonally adjusted* basis, nonfarm employment in January fell to 765,600 and was below its revised pre-recession peak by 16,000 jobs (2.0 percent). (See page 2)
- ❑ **Regional and Norfolk Housing Market:** In 2015, the average sales price of homes sold in Hampton Roads rose 4.3 percent to \$244,454 from \$234,379 in 2014. The average sales price of homes sold in Norfolk rose 8.0 percent to \$208,536 from \$193,135 in 2014. Norfolk's increase was the highest among the seven major cities. (See page 3)
- ❑ **Norfolk Residential Building Permits:** In 2015, Norfolk housing units permitted were below last year by 42 units (3.9 percent), from 1,068 units last year to 1,026 units this year. The decline was largely due to units permitted in commercial buildings being converted to apartments. In contrast, single-family dwellings permitted were at their highest level since 2005. (See page 4)
- ❑ **Regional Economy:** The region's economic growth in 2016 is projected to be 1.3 - 1.59 percent in 2016, which is below the historical average growth of 3.1 percent. (See page 6)
- ❑ **National Economy:** Real GDP growth decelerated to an annual rate of 1.0 percent (second estimate), which was below the 2.0 percent and 3.9 percent growth in the third and second quarters, respectively. For all of 2015, real GDP grew 2.4 percent, the same as in 2014. (See page 6)

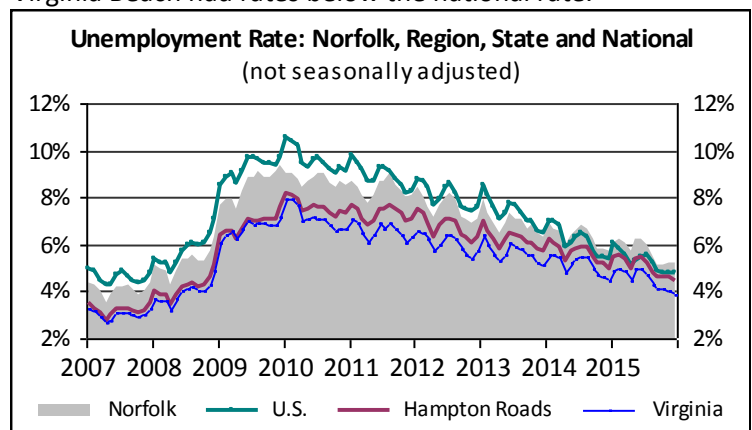
Residential Employment

Unemployment Rates (not seasonally adjusted rates)

	December 2015*	November 2015**	December 2014**	10-Year Average 2005-14
Norfolk	5.2%	5.2%	5.7%	6.5%
Chesapeake	4.2%	4.2%	4.7%	5.2%
Hampton	5.5%	5.6%	6.0%	6.5%
Newport News	4.9%	5.0%	5.6%	6.1%
Portsmouth	5.9%	5.8%	6.4%	7.0%
Suffolk	4.6%	4.6%	5.1%	5.6%
Virginia Beach	3.9%	3.9%	4.4%	4.7%
Hampton Roads	4.5%	4.6%	5.0%	5.5%
Virginia	3.9%	4.0%	4.5%	5.1%
United States	4.8%	4.8%	5.4%	7.0%

The Bureau of Labor Statistics (BLS) reported Norfolk's unemployment rate (*not* seasonally adjusted) in December fell to 5.2 percent from 5.7 percent last year (December 2014). Norfolk's unemployment rate has been decreasing year-over-year in every month since August 2011. Norfolk's unemployment rate fell from last year as the number of unemployed residents declined by 522 (8.2 percent), while employed residents grew by 662 (0.6 percent) leading to an increase in the labor force rose 140 (0.1 percent).

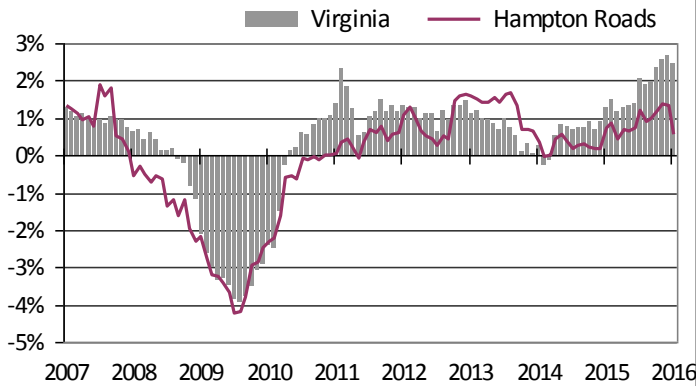
The unemployment rate fell from last year in all seven major cities, region and state. BLS reported Hampton Roads was one of the 296 of the 387 metro areas with unemployment rates (*not* seasonally adjusted) lower than last year and was among the 188 metro areas with unemployment rates below the national rate (4.8 percent, *not* seasonally adjusted). Among the seven major cities, Chesapeake, Suffolk and Virginia Beach had rates below the national rate.



State and Regional Employment

State and Regional Job Change

(percent change from last year, not seasonally adjusted)



Virginia nonfarm employment (not seasonally adjusted) rose year-over-year in January by 2.5 percent (92,100 jobs). On a *seasonally adjusted* basis, Virginia nonfarm employment also continued to rise in January to 3,904,000 and with the annual benchmark revision, has now risen to 3.0 percent (115,300 jobs) above its revised pre-recession peak and has risen month-to-month since April 2015.

Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year in January by 0.6 percent. With the annual benchmark revision, jobs have risen year-over-year since March 2014. Prior to the revision, jobs had only been rising year-over-year since November 2014. Also, growth in the average number of jobs in 2011-2014 were all revised upward by 0.1 percentage point and growth in 2015 (0.9 percent) was above 2014 growth (0.3 percent, revised). On a *seasonally adjusted* basis, Hampton Roads nonfarm employment fell by 3,600 jobs from the previous month to 765,600.

January Job Change in Select Industries

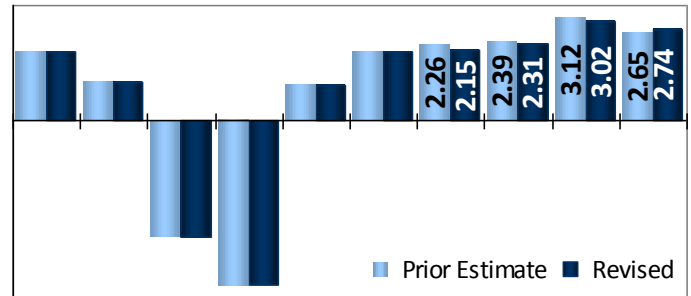
(not seasonally adjusted¹; job change is from previous year)

	Hampton Roads ²	Virginia ²
Construction	800	2,900
Manufacturing	-1,700	1,400
Retail Trade	-900	9,600
Wholesale Trade	0	1,900
Transportation and Utilities	600	8,000
Information	-200	-1,400
Financial Activities	300	5,400
Professional and Business Services	-900	27,500
Educational and Health Services	4,000	17,100
Leisure and Hospitality	4,200	14,200
Other Services	200	3,500
Government	-2,200	2,900
Federal Government	800	4,100
State Government	-300	200
Local Government	-2,700	-1,400

National Employment

National Job Growth

(annual change in employment in millions)



Note: Revised job growth figures reflect the February annual benchmark adjustment and updated seasonal adjustment factors and March revision

The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose 242,000 in February. BLS also revised up December and January job growth by 9,000 and 21,000 jobs, respectively. Through February, the private sector has had 72 straight months of job growth, the longest streak on record. In February, the *seasonally adjusted* unemployment rate was unchanged at 4.9 percent, the lowest rate since February 2008.

Job growth in 2015 was revised upward again by 9,000 jobs to 2,744,000 due to revised December employment figures. This was in addition to the upward revision of 85,000 jobs resulting from the annual benchmark process and update of seasonal adjustment factors released in February. The annual revision also reported lower job growth in 2012-2014 which were revised down by 286,000 jobs in total.

National Job Change by Industry

(seasonally adjusted; Jan.-Feb. is the cumulative monthly change)

	Jan.-Feb. 2016 ²	Jan.-Dec. 2015 ³	Jan.-Dec. 2014
Mining and Logging	-27,000	-136,000	30,000
Construction	34,000	296,000	362,000
Manufacturing	7,000	26,000	208,000
Trade/Transportation/Utilities	106,000	458,000	521,000
Information	16,000	30,000	9,000
Financial Activities	22,000	149,000	127,000
Professional/Business Services	38,000	621,000	639,000
Educational/Health Services	110,000	701,000	480,000
Leisure and Hospitality	93,000	441,000	441,000
Other Services	13,000	65,000	68,000
Government	2,000	93,000	130,000
Federal Government	1,000	22,000	6,000
State Government	-26,000	20,000	36,000
Local Government	27,000	51,000	88,000
Total Job Growth	414,000	2,744,000	3,015,000

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. ¹ Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. ² Preliminary, subject to revision. ³ Revised.

Regional Housing Market

Jan. - Dec. Home Sales	Housing Units Sold		Average Days on Market	
	2014	2015	2014	2015
Hampton Roads	21,178	23,545	84	83
Norfolk	2,610	2,870	80	86
Chesapeake	3,356	3,862	72	66
Hampton	1,383	1,597	105	95
Newport News	1,749	1,882	91	88
Portsmouth	1,285	1,336	92	98
Suffolk	1,336	1,418	88	92
Virginia Beach	5,904	6,676	70	67

Regional Comparison of Growth in Average Residential Sales Price

Area	2015	2014	% Change
Hampton Roads	\$244,454	\$234,379	4.3%
Norfolk	\$208,536	\$193,135	8.0%
Chesapeake	\$263,816	\$250,415	5.4%
Hampton	\$162,470	\$156,287	4.0%
Newport News	\$173,768	\$163,784	6.1%
Portsmouth	\$139,450	\$130,079	7.2%
Suffolk	\$241,376	\$237,689	1.6%
Virginia Beach	\$291,849	\$285,786	2.1%

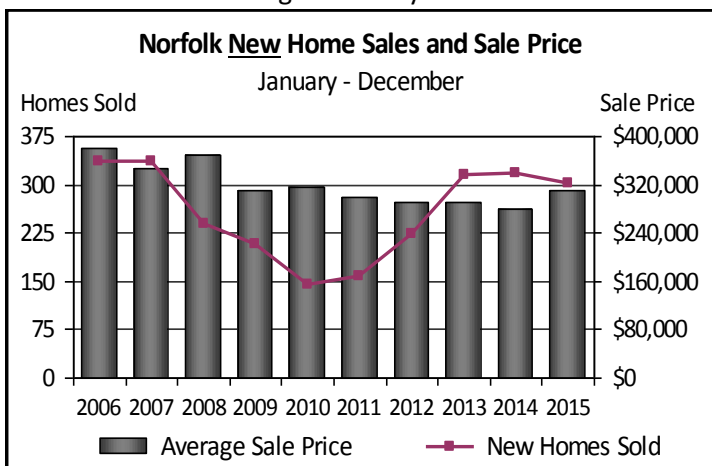
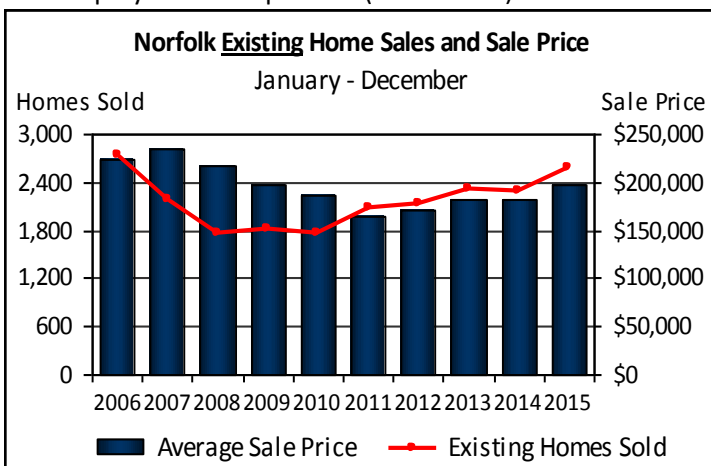
In 2015, the Real Estate Information Network (REIN) the average sales price of homes sold in Hampton Roads rose 4.3 percent from \$234,379 in 2014 to \$244,454. This was 4th consecutive annual increase and the largest annual increase over the four-year period. The region's median sales price followed the same trend which rose 5.3 percent in 2015. All seven major cities in the region also saw an increase in both the average and median sales price in 2015, with Norfolk having the highest annual percentage growth of 8.0 percent (average sales price) and 6.4 percent (median sales price).

REIN reported home sales in Hampton Roads reached 21,178 in 2015, an 11.2 percent increase from 2014. This was also the highest level of homes sold since 2006. In 2015, home sales increased in all seven major cities with Hampton, Chesapeake, Virginia Beach, and Norfolk seeing double-digit percentage increases or 15.5 percent, 15.1 percent, 13.1 percent and 10.0 percent, respectively. In 2016, REIN reported home sales in the region has continued to rise through February 2016. Moreover, pending home sales, a leading indicator of future sales in the region were up 31.8 percent in February from the same period last year.

Norfolk Housing Market

The average sales price of existing and new homes sold in Norfolk both rose in 2015 from 2014. The average sales price of existing homes sold in 2015 rose 8.5 percent from \$181,000 last year to about \$196,400 this year. Likewise, the average sales price of new homes sold in 2015 rose by about 11 percent from \$280,500 last year to about \$311,800 this year. In 2015, the average sales price of new and existing homes reached highest level since 2010 and 2009, respectively. The increase in the average sales price in 2015 was also seen in both new and existing attached and detached homes.

In 2015, the number of existing homes sold in Norfolk rose 12 percent (276 homes) from 2014, largely due to existing homes sold for \$100,000 - \$300,000. In contrast, sales of new homes in Norfolk were down 5.0 percent (16 homes) from last year. The decrease was largely from new homes sold for \$100,000 - \$300,000. Home sales overall in Norfolk were up by about 10 percent (260 homes) in 2015 and have continued to rise through February 2016.



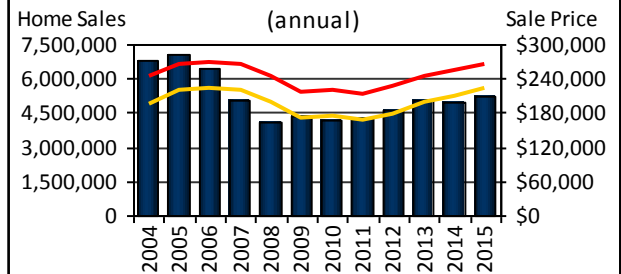
Source: Real Estate Information Network (REIN)

National Housing Market

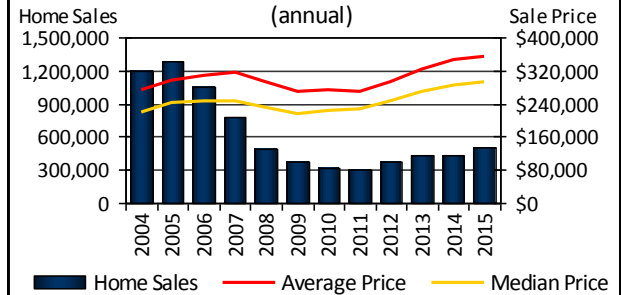
The National Association of Realtors (NAR) reported existing home sales nationwide rose to its highest level since 2006 to 5,250,000 (revised) in 2015, a 6.3 percent increase from 4,940,000 in 2014. The revised 2015 figure was slightly below the initial estimate of 5,260,000. NAR also reported existing home sales continued to rise in January 2016 by 0.4 percent from the previous month (December 2015) and 11 percent from the previous year (January 2015). NAR indicated “the housing sector continues to recover and will likely help the U.S. economy avoid a recession.” Similarly, new home sales rose 14.6 percent to 501,000 from 437,000 in 2014. In 2015, new homes reached its highest level since 2007.

In 2015, the average sales price of existing homes rose 4.3 percent to \$266,400 from \$255,300 while the average sales price of new homes was up 2.9 percent to \$355,700 (revised) from \$345,800 in 2014. Similarly, the median sales price of existing and new homes rose 6.8 percent and 3.9 percent, respectively, in 2015 to \$222,400 and \$293,900 (revised) from \$208,300 and \$282,800 in 2014.

Existing Home Sales and Sale Price

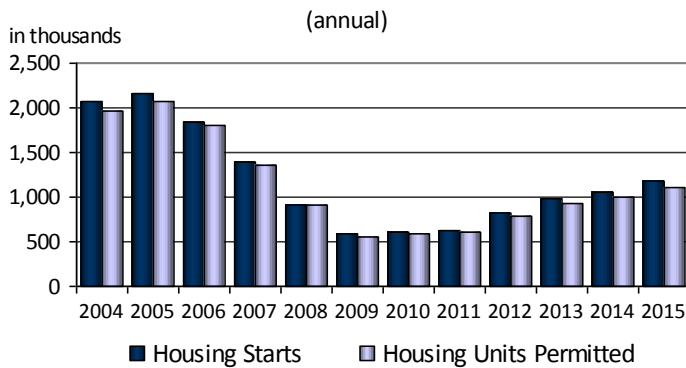


New Home Sales and Sale Price



National New Residential Construction

National Housing Starts and Building Permits



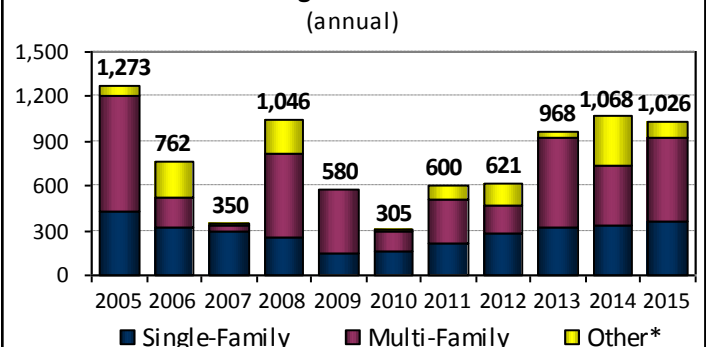
In 2015, the Census Bureau reported an estimated 1,178,400 housing units were authorized by building permits during the year, which was 12 percent above last year and was the highest since 2008. Authorizations of single-family homes and of housing units in multi-family structures both increased in 2015. In its recent report, privately-owned housing units authorized by building permits fell month-to-month in January 2016 and in December 2015 by 0.2 percent and 6.1 percent (revised), respectively, but continued to be above last year.

Privately-owned housing units started in 2015 rose to an estimated 1,111,200 which was 10.8 percent above last year and was the highest since 2008. Starts of single-family homes and in buildings with five units or more both rose in 2015, while units started in buildings with 2-4 units were below last year. Similar to permits, housing starts fell month-to-month in January 2016 and in December 2015 by 3.8 percent and 2.8 percent (revised), respectively, while still remaining above last year's levels.

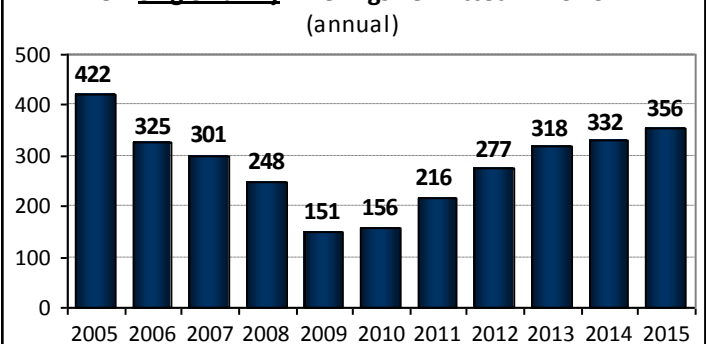
Norfolk Residential Building Permits

In 2015, Norfolk housing units permitted were below last year by 42 units (3.9 percent), from 1,068 units last year to 1,026 units this year. The decline was from units permitted in commercial buildings being converted to residences (-218 units) and accessory dwellings (-11 units). Offsetting part of the decline was an increase in permitted units in multi-family structures (+163 units) and single-family dwellings (+24 units). In 2015, permitted single-family dwellings were at their highest level since 2005.

Number of Housing Units Permitted in Norfolk



New Single-Family Dwellings Permitted in Norfolk

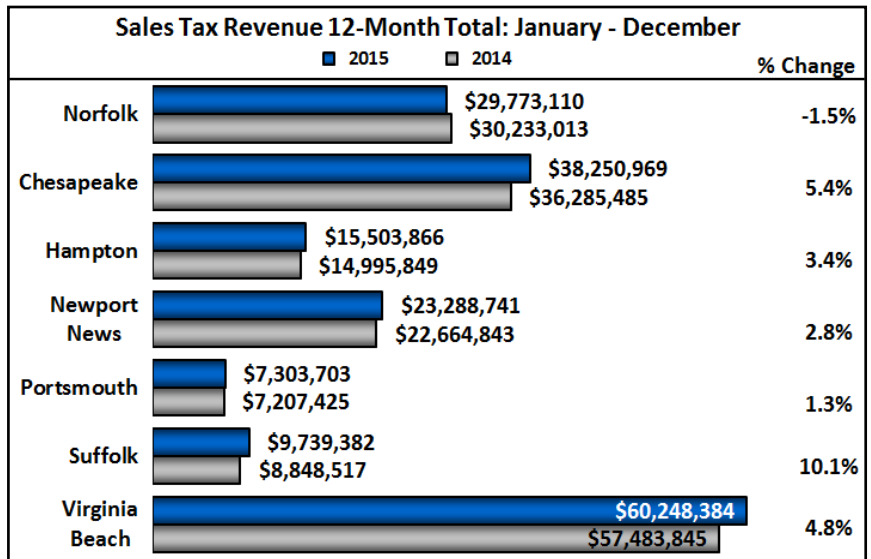


Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Department of Development. * “Other” includes new units in mixed use structures, residential conversions, and accessory dwellings. Note: Norfolk housing units permitted in prior years may be revised due to cancelled, abandoned, expired and revoked permits.

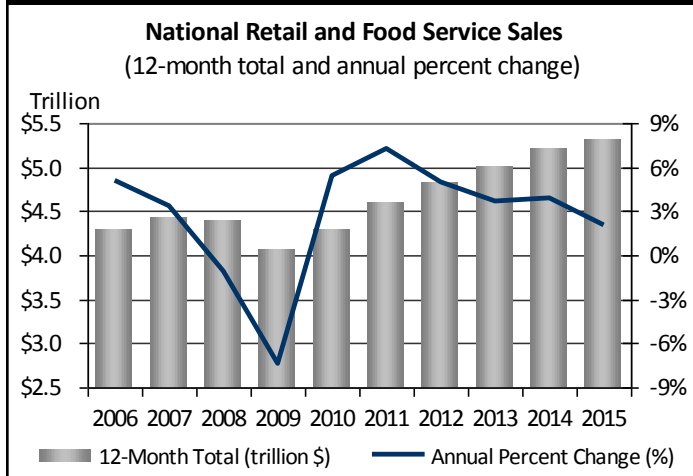
Norfolk and Regional Sales Tax

The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections on a calendar year (CY) basis (January through December) fell in 2015 by 1.5 percent (about \$460,000). This was the first decline since CY 2012. In comparison, retail sales nationally rose 2.1 percent in 2015, the smallest increase in the 12-month total sales since sales began rising in 2009.

However, Norfolk sales taxes are off to a positive start in 2016. In January 2016, Norfolk sales taxes were above last year by 3.8 percent. The January increase followed three straight months of decline. Among the other seven major cities, only Suffolk and Virginia Beach also had an increase of 0.1 percent and 1.1 percent, respectively. In contrast, Chesapeake, Hampton, Newport News, and Portsmouth saw declines ranging from 2.0 percent (Newport News) to 8.2 percent (Hampton).



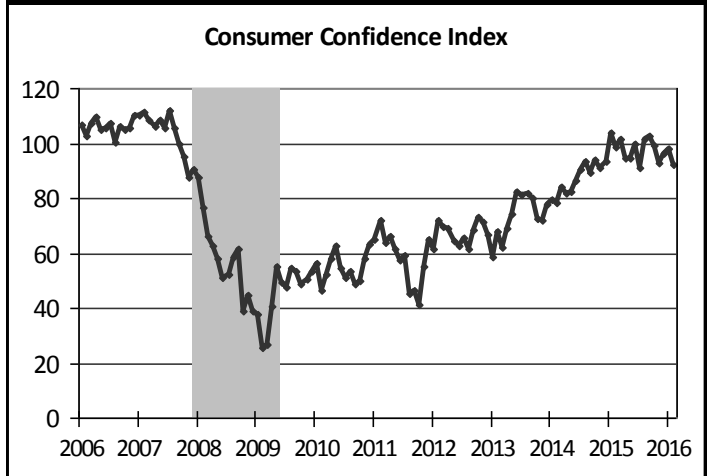
National Retail and Food Service Sales



The U.S. Census Bureau reported national retail and food services sales rose 0.2 percent (preliminary) in January from the previous month (December 2015). The growth came mostly from nonstore retailers, motor vehicle and parts dealers, general merchandise stores, food and beverage stores, and miscellaneous store retailers. Restaurants and bars saw its first monthly decline in sales since January 2014. Also reported was an upward revision to December's sales from the prior estimated 0.1 percent decline to 0.2 percent growth and a revised November's growth of 0.3 percent from 0.4 percent.

Compared to last year (January 2015), retail and food service sales rose 3.4 percent (preliminary). Most major kinds of businesses had a year-over-year increase in sales, except gasoline stations, department stores, and electronics and appliance stores. From January through December 2015, retail and food service sales were up 2.1 percent from the same period in 2014, the smallest annual (12-month) increase since it began rising in 2009.

Consumer Confidence Index

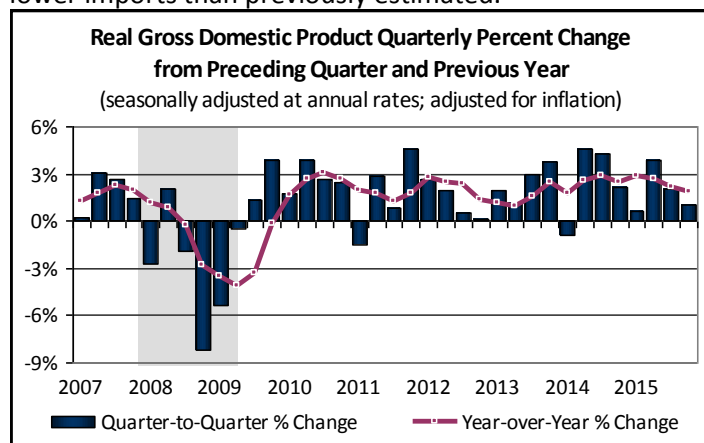


The Conference Board reported the Consumer Confidence Index fell in February, after rising two straight months, to 92.2 from 97.8 (revised) in January. Consumer confidence in both current and future conditions declined in February. The Present Situation Index which measures confidence in current conditions fell to 112.1 from 116.6 (revised), while the Expectations Index, which measures consumer confidence in business, employment, and family income six months from now fell to 78.9 from 85.3 (revised) in January.

Lynn Franco, Director of Economic Indicators at The Conference Board noted, "Consumers' short-term outlook grew more pessimistic, with consumers expressing greater apprehension about business conditions, their personal financial situation, and to a lesser degree, labor market prospects. Continued turmoil in the financial markets may be rattling consumers, but their assessment of current conditions suggests the economy will continue to expand at a moderate pace in the near-term."

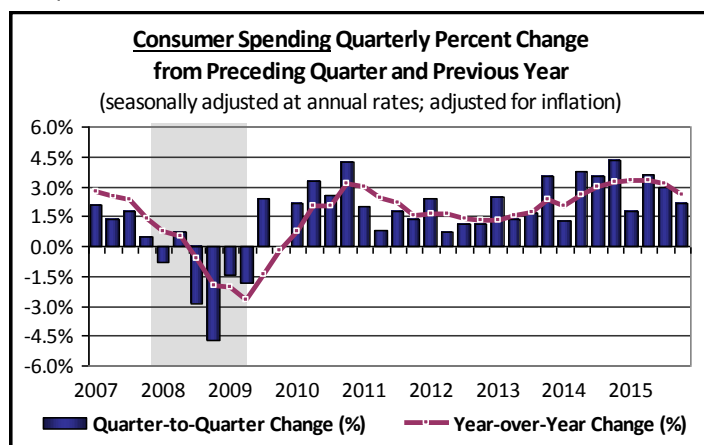
Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP growth decelerated further in the fourth quarter of 2015 to an annual rate of 1.0 percent (second estimate) from 2.0 percent in the third quarter. However, the second estimate was higher than the first estimate (0.7 percent growth). The revision largely reflected higher business inventory investment and lower imports than previously estimated.



The deceleration of real GDP growth in the fourth quarter was largely due to the following:

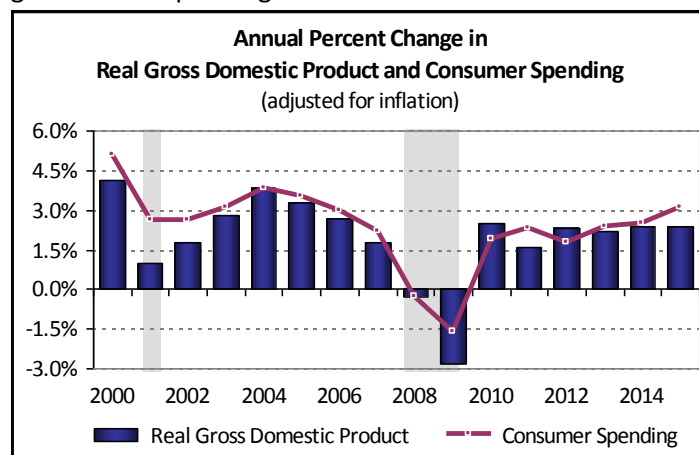
- **Consumer spending** grew 2.0 percent compared to 3.0 percent in the third quarter due to spending on durable and nondurable goods such as, vehicles, furnishings, food and beverages, clothing, and gasoline;
- **Business investment in equipment** fell 1.8 percent, the first decline since the fourth quarter of 2014; and
- **State and local government spending** fell 1.4 percent, after increasing two consecutive quarters; and
- **Exports** fell 2.7 percent after rising 0.7 percent last quarter.



Annual Real GDP

BEA reported real GDP rose 2.4 percent (second estimate) in 2015, the same as in 2014. The 2015 growth was largely driven by consumer spending, business investment

in intellectual property products, equipment and inventory, residential investment, and state and local government spending.



Regional Economic Forecast

In January, the Old Dominion University (ODU) Economic Forecasting Project and the Hampton Roads Planning District Commission (HRPDC) presented their 2016 regional forecast, summarized in the table below.

- Regional economic growth in 2016 will be above 2015 growth but will be below the historical annual average of 3.1 percent and projected national economic growth of 2.0 percent (ODU) to 2.5 percent (HRPDC).
- Defense spending is projected to increase slightly in 2016. The passage of the two-year federal budget provided \$50 billion (FY 2016) and \$30 billion (FY 2017) in sequester relief, split evenly between defense and nondefense spending. The sequester relief is expected to increase military and civilian compensation and defense contracts (ODU).
- Regional employment is projected to return to its pre-recession peak by December 2016, if the region sees record level historical job growth in the coming year, or by December 2018, if job growth over the next three years were at the average rate of growth (HRPDC).

2016 Economic Forecast for Hampton Roads and U.S.

Economic Indicator	ODU	HRPDC
U.S.:		
Real GDP growth	2.03%	2.5%
Employment growth	1.5%	N/A
Hampton Roads:		
Real gross regional product growth	1.59%	1.3%
Civilian employment growth	0.9%	0.8%
Unemployment rate	4.3%	4.7%
Taxable sales growth	3.6%	4.1%
Housing permit value growth	3.4%	2.3%